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RUEHEG/AMEMBASSY CAIRO PRIORITY 2226
RUEHDM/AMEMBASSY DAMASCUS PRIORITY 4684
RUEHLO/AMEMBASSY LONDON PRIORITY 1555
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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

[11. Mideast](#)

[12. U.S.-Israel Relations](#)

Key stories in the media:

Ha'aretz quoted associates of PM Ehud Olmert as justifying his trip to Washington in spite of the political crisis, by saying that the security dialogue began by President Bush in January requires attention. At the cabinet meeting on Sunday, Olmert said that these

security-related issues address the "essence of Israel's existence."

Media reported that Olmert will focus on Iran and emphasize Israel's belief that Iran is developing military nuclear capabilities. "There is progress in the dialogue with the Americans, but no decisions are expected [to be made]," a political source said. Olmert is also interested in reaching an agreement on a series of joint defense projects that will begin under the current administration, and it is hoped by Israel, bind the next U.S. administration. A political source said that the projects in question are very sensitive and have to do with missile defense systems and advanced warfare capabilities that Israel would like to acquire in the coming years. The Jerusalem Post, quoted officials assaying yesterday that Olmert is expected to use the trip to "tie up some loose ends on several requests by the IDF for new military platforms as well as funding for defense-related projects, such as the Arrow 3 anti-missile system. Yediot reported that Olmert will purchase missile defenses and request F-22 stealth fighters.

The Jerusalem Post reported that a senior State Department official told the daily yesterday that Israel's continued blockade of Gaza is misguided and has helped rather than harmed Hamas. The newspaper reported that the State Department is likely to convey its displeasure over Israel's Gaza policy to Olmert during his visit.

The Jerusalem Post quoted Olmert as saying that the "hour of decision" was approaching regarding continued Palestinian rocket fire from Gaza, pledging that the attacks, which have continued unabated for seven years, will be stopped "one way or another."

Olmert was speaking at a commemorative ceremony for the Six-Day War.

Maariv bannered Egypt's insistence that Gilad Shalit will not be released without a truce agreement with Hamas. The newspaper reported that Cairo intends to start negotiations for Shalit's release on the day after the beginning of the truce.

Leading media reported that Shas is attempting to extort the government into increasing child welfare payments (a large percentage of which go to Shas ultra-orthodox base) by threatening to support Likud's effort to dissolve the Knesset. Speaking on Israel Radio this morning, Finance Minister Roni Bar-On declared that the government was prepared to invest in social services, but not in child allowances. Ha'aretz reported that Transportation Minister, and apparently Livni's chief rival in Kadima to supplant Olmert, Shaul Mofaz has been forging closer links with Shas to head off early elections and lay the groundwork for an alternative government headed by him in the current Knesset. Ha'aretz reported that the Shas leaders told him that they would support him if he promised to increase child allowances. Ha'aretz quoted Shas sources as saying that party leaders have already reached agreements with Mofaz on this issue. According to Ha'aretz, Mofaz believes he can prevent early elections and is acting to secure Shas's support before the Kadima leadership primary.

Ha'aretz reported that Egypt has recently been attempting to thwart a proposed agreement to improve Israel's access to the European Union market. Egyptian ambassadors in key European capitals have been instructed to approach host governments and ask them to reconsider the trade agreement in light of Israel's ongoing construction in West Bank settlements and its blockade of Gaza. Senior Israeli Foreign Ministry officials have warned their Egyptian counterparts that Israel views this effort very gravely and wants it stopped. According to an Israeli assessment, the Egyptian campaign is actually in retaliation for a U.S. Congressional decision to freeze up to \$200 million in U.S. military aid to Egypt. Cairo blames Israel for this freeze, because Israel has frequently complained to Washington about Egypt's failure to combat arms smuggling into Gaza. Cairo is also upset because the EU has refused to grant Egypt a similarly favorable agreement. Major media reported that Israel also sent a formal protest to the PA yesterday over a letter sent by PA Prime Minister Salam Fayyad to the OECD, in which he asked the organization to reconsider its invitation to Israel to join. Fayyad based this request on Israel's military operations in the territories, and construction in the settlements. Ha'aretz reported that PM Ehud Olmert told President Mahmoud Abbas yesterday Israel deems the letter completely unacceptable.

Israel Radio reported that White House Press Secretary Dana Perino condemned the latest announcement of construction in East Jerusalem,

"Our position on the settlements is that we don't believe that any

more settlements should be built, and we know that it exacerbates the tension when it comes to the negotiations with the Palestinians." The radio also cited UN Secretary-General Ban Ki-moon's criticism of Israel's action. Israel Radio quoted Construction and Housing Minister Zeev Boim as saying the PM Ehud Olmert concurs with the decision. The Jerusalem Post quoted Olmert as saying yesterday: "I believe there is no contradiction between the people of Israel's total allegiance to Jerusalem and its unity and our ambitions to create peace within it."

Israel Radio reported that the only positive result of PM Olmert's talks with PA President Mahmoud Abbas yesterday was related to the issue of the right of return. The radio did not elaborate.

Major media quoted the Shin Bet as saying yesterday that three Arab citizens from Lod were indicted in Central District Court on Monday for allegedly planning to kidnap and murder an Israeli soldier and later use his body as a bargaining chip for the release of Palestinian security prisoners.

Israel Hayom and The Jerusalem Post reported that, speaking before the American Israel Public Affairs Committee yesterday, - Senator John McCain attacked Democratic candidate Senator Barack Obama's willingness to engage in dialogue with Iran. McCain presented himself as the best candidate for Israel. Israel Hayom bannered: "McCain: Obama Is Dangerous for Israel."

Yediot reported that Syrian President Bashar Assad admitted yesterday that an agreement has not been reached for a full, absolute Israeli withdrawal from the Golan. However, he stressed that he is demanding a full withdrawal and that he is preparing plans to populate the areas that Israel will vacate. Maariv quoted Defense Minister Ehud Barak as saying yesterday before the Knesset's Defense and Foreign Affairs Committee that there are scant chances of achieving peace with Syria this year. The Jerusalem Post and Makor Rishon-Hatzofe quoted Barak as saying that only the U.S. can sponsor negotiations with Syria. The Jerusalem Post quoted Barak as saying that the Golan is not Syria's top priority.

Yediot reported that the leaders of the Jewish community in Hebron intend to demand that vacant Jewish real estate (from before 1929) be returned to them, in accordance with a military committee decision last week. Israel Radio reported that last night security forces demolished the synagogue "Hazon David" (David's Vision) in the city, but that settlers immediately rebuilt it.

The Jerusalem Post reported that the state informed the High Court of Justice yesterday that it might reconsider its blanket refusal to allow Gaza students to leave the area. The decision comes after heavy U.S. pressure to allow seven Fulbright scholars from Gaza to study abroad.

The media reported that the Knesset's House Committee has approved the creation of a new Knesset faction: "Justice for the Elderly," which split from the Pensioners' Party. The decision was made possible after the cancellation of a deal with billionaire politician Arkady Gaidamak.

Ha'aretz reported that the Shin Bet has recently questioned Malah Haj Yihia, an Israeli citizen and a senior member of the organization "Physicians without Borders - Israel," over alleged hostile activity in Gaza.

The Jerusalem Post quoted Prof. Jeffery Sachs, director of the Earth Institute at Columbia University and Special Advisor to UN Secretary-General Ban Ki-moon on the Millennium Development Goals that Israel has key knowledge and technology in several specific areas that are hugely important in Africa right now, Sachs was the keynote speaker on Sunday at the 50th conference of MASHAV, the Foreign Ministry's Center for International Cooperation.

The Jerusalem Post reported that Indonesian doctors receive casualty training in Israel. The Indonesian team gave a workshop on earthquake response and preparedness.

Ha'aretz reported that the recent invalidation of thousands of conversions is making some Russian-speaking immigrants wonder why they came to Israel.

11. Mideast:

Summary:

Senior columnist and longtime dove Yoel Marcus wrote in the independent, left-leaning Ha'aretz (6/3): "If Kadima wants to prove it is a party with a backbone, it must respond to [Ehud] Barak's suggestion and solve the problem of Olmert without general elections."

The conservative, independent Jerusalem Post editorialized: "Israeli policymakers need to reevaluate their willingness to engage in lopsided prisoner exchanges."

Block Quotes:

II. "Anything but Elections"

Senior columnist and longtime dove Yoel Marcus wrote in the independent, left-leaning Ha'aretz (6/3): "If Kadima wants to prove it is a party with a backbone, it must respond to [Ehud] Barak's suggestion and solve the problem of Olmert without general elections.... [Tzipi] Livni, a graduate of Herut, the major predecessor of Likud, has evinced more courage than [Shaul] Mofaz in pointing out Olmert's defense errors, and she had the guts to demand outright that Olmert resign. It is no accident that in most of the public opinion polls she is in the lead as the candidate to become prime minister, and she is worthy of being chosen in primaries to head Kadima so she can continue the current peace coalition. General elections at this time are, above all, a waste of money.... With no hope that premature elections will give rise to some meteor, that which has been is that which shall be after the elections except for the replacement of Olmert by Livni. In a game that has failed, you replace the coach -- not the team."

II. "Another Bad Deal"

The conservative, independent Jerusalem Post editorialized (6/3): "How astute is it to trade an unreconstructed killer for what, it is now increasingly feared, are the remains of two IDF fallen? When that killer continues to swear loyalty to the blood-soaked path of jihad? And when the exchange would further bolster Hassan Nasrallah's stranglehold on Lebanon? This is the dilemma facing Israeli policymakers: whether to trade Samir Kuntar for Eldad Regev and Ehud Goldwasser. Hizbullah has provided no sign of life from the soldiers since they were abducted on June 26, 2006, in the cross-border aggression that ignited the Second Lebanon War.... Kuntar, a Lebanese Druze, is serving four life sentences for the 1979 deaths of Danny Haran, 28, his two daughters, four-year old Einat and two-year-old Yael, and the killing of police officer Eliahu Shahar in Nahariya.... Israeli policymakers need to reevaluate their willingness to engage in lopsided prisoner exchanges.... Israel's enemies know that Judaism attaches the highest priority to freeing captives and bringing closure to the families of fallen fighters. Isn't it time they also learned that Jews understand a thing or two about bargaining?"

12. U.S.-Israel Relations:

Summary:

Columnist Calev Ben-David wrote in the conservative, independent Jerusalem Post: "The question is whether AIPAC ... is ready to listen up and, if necessary come autumn, move on and adjust itself to a new day in Washington."

Block Quotes:

"AIPAC Is Celebrating... But Is It Faltering?"

Columnist Calev Ben-David wrote in the conservative, independent Jerusalem Post (6/3): "The agenda of [the annual policy conference of the American Israel Public Affairs Committee (AIPAC)] will focus on such pressing issues as the Iranian nuclear program, the current Israeli-Palestinian negotiations, and strengthening U.S.-Israeli ties at every level. Not on the schedule, though, are some pressing matters for AIPAC that bring with them unsettling undercurrents for the organization -- developments that pose serious challenges both internally and externally for an organization still regarded as the very model of a modern political lobby. Foremost among them is the still looming and oft-delayed 'AIPAC trial'.... Attacks from outside the Jewish community, such as the Walt-Mearsheimer report, only serve to strengthen AIPAC's position within it. But an internal ideological backlash is evident in the recent forming of J Street, the new Israel lobbying group that recently sprung up poising itself as a left-leaning alternative to AIPAC.... The real challenge for AIPAC is more in the winds of general ideological change sweeping the U.S.... This year, it will undoubtedly be Obama's scheduled appearance on Wednesday that will draw the most media attention. The question is whether AIPAC -- from its grass roots to its highest leadership levels -- is ready to listen up and, if necessary come autumn, move on and adjust itself to a new day in Washington."

JONES